



Fact Sheet

October 2023



Company Background

The company is the last Thomaston operation to quarry limestone and the only remaining large cement production facility in New England, quarrying about 700,000 tons of limestone per year. The plant was constructed in its current form in the mid-1960’s, on a site which has been producing cement continuously since the early 1920’s.

In 2002, Thomaston citizens approved an economic partnership between the Town of Thomaston and Dragon Products Company through the creation of a Municipal Tax Increment Financing (TIF) Development District. This program enabled the Company to make significant modernizations to the plant that converted processing to a “dry” system which increased efficiency and production capacity. Previously, the plant used the “wet” process to produce cement, which involves grinding the raw materials (mainly limestone) into a slurry and pumping it into a kiln.

The TIF program was not only a benefit to the plant’s processing, but also was of immeasurable value to this community. Over the years, the TIF program has funded the purchase of various fire safety improvements like a new fire ladder truck, a pumper truck, thermal imaging equipment, and self contained breathing apparatus (SCBA’s.) The TIF also provided economic development funds to the Town that have been used for numerous projects like the east end sewer infrastructure expansion. The TIF also enabled the Town to shelter new tax valuation that was created by the modernization of the plant. By sheltering the tax valuation, the Town avoided reductions in state revenue sharing, and decreasing the Town’s share of county and school taxes.

Company Closure Timeline

- 9/6/2023 Town of Thomaston, Dragon employees, and media are notified of closure by Dragon Products Company. Maine Department of Labor’s Rapid Response Team on-site as part of the CareerCenter services.
- Mid-November Kiln will be shutdown
- 12/2/2023 Phase I Dragon employee layoffs (25 employees)
- 4/6/2024 Phase 2 Dragon employee layoffs (21 employees)
- 7/1/2024 Phase 3 Dragon employee layoffs (12 employees)
- 1/4/2025 Phase 4 Dragon employee layoffs (7 employees)
- After January 2025 To be determined

What is the Town doing?

- 9/6/2023 Town of Thomaston is notified of the closure
- 9/7/2023 Town Manager corresponds with Representative Ann Matlack, representatives from U.S. Senator Angus King’s Office. Town sends out a response press release to the closure announcement.
- 9/8/2023 Town officials met with local Dragon managers, Jennifer Small and Mark Curtis to discuss the closure.
- 9/11/2023 Town Manager corresponds with representatives from U.S. Senator Susan Collins Office and U.S. Representative Chellie Pingree’s Office.
- 9/12/2023 Maine Department of Labor Rockland Career Center corresponds with the Town to support public outreach efforts for 4 future job fairs corresponding with the 4 Dragon Cement layoff phases.
- 9/14/2023 Town officials meet with Midcoast Council of Governments to discuss the Dragon TIF program.
- 9/19/2023 mu Town Manager meets with Dept. of Economic and Community Development Commissioner Heather Johnson, Legislative Affairs and Communications Victoria Foley, and Rep. Ann Matlack



What we don't know yet

- What does Dragon Products Company plan to do with their property after the final phase of employee layoffs? Are they selling, keeping, or leasing?
- What will Dragon do with the equipment, kiln, and silos?
- What will happen to the open quarries?
- What is the future of the railway that crosses Dragon's property?
- What will Maine Department of Environmental Protection require Dragon to do as part of the close-out program of the plant?
- Will my taxes increase in the future because of the closure?
- Will Town services be cut and what will the municipal budget be?

What we do know

- The municipal budget is already in place for this fiscal year (July 1, 2023-June 30, 2024). Municipal taxes are committed in early October and the closure of Dragon will not effect this.
- Property valuations are reported by April 1st every year. The plant is not projected to close until January 2025.
- The Dragon TIF program corresponds with the property and not the owner. The Town recently approved extending the TIF program for an additional 10-years. Whether the property is kept, sold, or leased, the property owner will still be responsible for assessed taxes on the property. The Dragon TIF program will remain in place with the property regardless of ownership.
- Dragon is required to work with Maine Department of Environmental Protection in order to successfully close the plant and uphold compliance and environmental standards.
- The Town will continue to stay involved throughout the process of the closure and to keep our citizens up to date on any new information released regarding Dragon Cement. We are working with folks from:
 - State and U.S. Representatives
 - ME Department of Labor
 - Dept. of Economic and Community Development
 - MDEP
 - Mid-coast Council of Governments

Are you an employer that is hiring?

The Maine Department of Labor Rockland CareerCenter welcomes employers to contact Employment and Training Specialist David Grima to be added to a job fair list in preparation of the 4 phases of Dragon employee layoffs in the coming year. The job fairs will be open for all interested employers and anyone that is seeking a job.

The Town of Thomaston will be hosting the job fairs in the Lura Libby Room at the Thomaston Municipal Building. Dates TBD.

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To: Kara George, Town Manager
From: Mathew Eddy
Dan DeBord

Date: September 18, 2023
Subject: Initial Guidance—Dragon TIF

Thank you to you and your team for meeting with us last week. I am impressed with the level of professionalism and preparedness the team brought to the meeting as we begin the examination of the impacts of the Dragon shutdown on the Dragon and Downtown Tax Increment Financing (TIF) Districts. Our initial assessment is that there will be minimal or no impacts upon the general fund, while the TIF funds will face some negative impact over the life of the TIF, designed to run through and be completed in 2033.

Working with Lindsey Junkins and Jodell Benson, we were able to establish some base parameters on which to make this early assessment. They include:

The present dragon valuation is substantial, roughly 20% larger than projected when the TIF was conceived. From the Assessor's work, the 2022 valuation Summary looks as follows:

SUMMARY	
Land & Buildings	42,617,207
Ancillary	<u>2,211,540</u>
Real Estate	44,828,747
Personal Property	<u>22,586,578</u>
Total Value	67,415,325
OAV	<u>25,359,600</u>
Difference	42,055,725

The original OAV (original assessed value) is the primary funding base for your present general fund contributions by Dragon. That is, most of the impact on general fund revenue is through the OAV (and 10% from the remaining of the TIF value equaling \$29.6 million in value or 66% of the total real estate value, without Personal Property). Given the extent of Real Estate Value, we do not anticipate value shrinking substantially in the near future, but instead declining slowly. General fund revenue flow should be stable through the life of the TIF, with

some decline occurring as demolition occurs and we get closer to 2033.

From various party discussions with the company, one can expect that personal property and equipment will decline most rapidly. It has been suggested that that equipment may be dissembled and removed to one of Dragon's other properties. The speed of that is hard to estimate from an evaluation perspective but let's assume for planning purposes that the community will not be able to depend on personal property value by the 2025 tax year. That would still leave the community with a TIF base of \$15.2 million in value that will decline slowly over time.

The assessor will work to understand Dragon's base value for 2023 and be ready for the 2024 budget year. Keep in mind that the assessor will establish base value for Dragon by April 1 of each year, helping the community budget and navigate through the Dragon closure over the next ten years.

The real estate value, compared to personal property, is more stable and will be difficult to remove over a short-term time period. It is hard to project what the rate of removal/decline might be (if any), but the real estate value, whether in or out of production, remains substantial. The best procedure for understanding this value decline would be to meet with the company and review the closure process to understand its impact on real estate value. It will be necessary for the Assessor to follow this closely on an annual basis and make an assessment of value each year to project the revenue value that will continue to flow into the General Fund and TIF.

For example, if the TIF base of \$15.2 million were to stay unchanged, then funds would flow into the TIF program annually. Similarly, as long as personal property remains in place, it will be taxable and flow to Thomaston. Subtracting out the annual sewer bond payment (see below) would still leave annual flows of revenue into the TIF

program while leaving the General Fund, through the OAV, unchanged.

A potential silver lining of gradual decline of real estate property value over the remaining life of the TIF is that when the TIF ends in 10 years it will not have such a dramatic hit on state revenue share or school aid formula as the full property comes back into the general fund and the TIF sheltering is lost in 2033. At the same time, amending the TIF now would negatively impact the present sheltering and create an impact on state school funding, county taxes, and state revenue sharing immediately.

Within the TIF, there exists one specific liability that must be paid for—the sewer bond. It is our understanding that that bond has roughly 13 years of payments. The community, recognizing that 13 years exceeds the life of the TIF, has been paying the bond off annually, \$108,100 per year and setting aside \$16,800 in a sinking fund to pay the remaining bond off in 2033 (the end of the TIF period). We anticipate that the real estate value will remain secure enough to cover that cost, but obtaining more detailed information of closure and its impact on the real estate value over the next ten years will help in mitigating any concern.

There will be a process to follow that may help Thomaston better understand the closure process, as the company meets the requirements of the Maine Department of Environmental Protection (DEP) closure. Lacking the ability to get detailed information from the company about their plans, the community should be able to communicate with DEP to understand the closure process from the State's perspective and again focus on equipment and real estate value impact. It is our understanding that staff (John Fancy) will begin these discussions with DEP to ensure that the community remains well informed of that progress. Steve Holt, Mike Martunas, Jason Goins, and Jason Fugate are contacts to pursue from Dragon Cement who are set to manage the environmental closeout of plant operations. We assume that they will be our best source of knowledge related to Dragon's ongoing plans and how they may impact personal property value of the facility.

Sewer flow revenues may represent a more critical short-term impact. The flows tend to be generally unpredictable based on wet and dry seasons and have ranged (our understanding) from a value flow to the sewer district of

between \$50-180,000 per year. This could have some impact on sewer user fees. The value coming to the Environmental Department will undoubtedly decline with no operations, but an understanding of what will need to be maintained for cleanup purposes with DEP will give us a firmer understanding of that annual revenue flow.

The company has suggested that it will be holding the property and not divesting interest. The limestone pit, based on comments from the company, has at least 30 years left of life in it. That makes it an important asset whose value is associated with remaining equipment and could increase with the advent of updated manufacturing processes that reduces energy consumption for Dragon (the reason given for closure, both for production and delivery). This is something worthy of all parties collaboratively investigating.

In conclusion, there is more homework to be done now and should become an annual focus of the community. However, the short term looks reasonably secure. With more information, we can increase that comfort level moving forward.